Defense Logistics Agency nears completion of systems upgrades

By LARRY GREENEMEIER

Modernizing decades-old back-end IT systems is challenging enough without the backdrop of global conflict. But that is exactly what the Defense Department's Logistics Agency (DLA) faces in the coming months as it enters the final leg of its long, expensive business-system modernization project.

By the time the project wraps up in September 2006, it will have moved the Logistics Agency's supply-chain management from Kennedy-era systems to a modern enterprise-resource-planning suite, changed the agency's mind-set from warehousing to real-time delivery, and introduced new logistical data culled from radio-frequency identification tags positioned worldwide.

The core of the new system is SAP's (Systems, Applications and Products) 4.6C ERP software running on a Unix-based Hewlett-Packard Superdome server. The system today manages $3.3 billion worth of the $23 billion in repair parts, clothing and textiles, food, construction, and medical supplies the agency will sell and distribute to the U.S. military and other Defense agencies this year. Over the next year and a half, the rest will be migrated off the agency's legacy Cobol-based Standard Automated Material Management System.

The new system's user base will likewise grow rapidly, from 1,600 users this year to 6,000 users by next September. The number of items the system manages will increase from 690,000 to 5 million.

No small effort, considering the Logistics Agency is the Defense Department's largest agency. Adding to the agency's challenge is the wartime status, which did not exist when the project was first conceived in the late
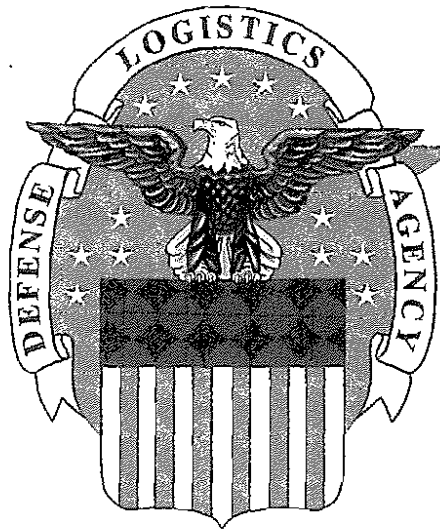
1990s. The project originated on the coattails of legislation that sought to root out government waste and inefficiency and encourage government agencies to reengineer their business processes.

In essence, the agency had to get out of the business of warehousing supplies, says Allan Banghart, the Logistics Agency's director of transformation. "The business model closest to ours today is Amazon.com, which has multiple supply chains, a bricks-and-mortar warehouse, and interacts with its customers largely online," he says. "We needed to be able to predict our customers' future demands. Once you do that, you can manage the supply chains and make sure the materials are available."

The agency over time had gotten the rap that it was too expensive to run and did not respond quickly enough to its customers' needs. This led to "buy-arounds," where some of the more than 30,000 individual military commands and other Defense agencies would at times purchase goods independently using their credit cards rather than go through the agency. "Just like everyone else, they vote with their wallets,"

Banghart says. But the problem with this lack of centralized purchasing is that it's harder to track spending, predict inventory, and leverage volume purchases to drive down costs.

The modernization project has not been without its share of controversy. Originally scheduled to wrap up by this coming September, it is expected to cost about $751 million, a price tag higher than anticipated. The original time and cost estimates were the best the agency could do, Banghart says, given the project's size and scope. "They were [darn] good guesses when you consider no one had done this before," he says. "It was an incredibly complex undertaking."

The addition of radio-frequency identification data (RFID) to the SAP system will take the modernization project beyond the original expectations. Using SAP NetWeaver, the agency will have access to real-time field data. NetWeaver is an integration platform that includes an Auto-ID infrastructure component that gives users the ability to integrate data from automated communication and sensing devices, including RFID readers.

Says Dave Falvey, the Logistics Agency modernization program's executive officer: "The key to RFID is the ability to capture data that wouldn't otherwise be captured."

If you would like more information, please contact Glen Martin, DLA Customer Service Representative, at 243-6106.